

**SUBSTITUTE FOR
SENATE BILL NO. 19**

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2014 PA 535.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27a. (1) Except as otherwise provided in this section,
2 property shall be assessed at 50% of its true cash value under
3 section 3 of article IX of the state constitution of 1963.

4 (2) Except as otherwise provided in subsection (3), for taxes
5 levied in 1995 and for each year after 1995, the taxable value of
6 each parcel of property is the lesser of the following:

7 (a) The property's taxable value in the immediately preceding
8 year minus any losses, multiplied by the lesser of 1.05 or the
9 inflation rate, plus all additions. For taxes levied in 1995, the

1 property's taxable value in the immediately preceding year is the
2 property's state equalized valuation in 1994.

3 (b) The property's current state equalized valuation.

4 (3) Upon a transfer of ownership of property after 1994, the
5 property's taxable value for the calendar year following the year
6 of the transfer is the property's state equalized valuation for the
7 calendar year following the transfer.

8 (4) If the taxable value of property is adjusted under
9 subsection (3), a subsequent increase in the property's taxable
10 value is subject to the limitation set forth in subsection (2)
11 until a subsequent transfer of ownership occurs. If the taxable
12 value of property is adjusted under subsection (3) and the assessor
13 determines that there had not been a transfer of ownership, the
14 taxable value of the property shall be adjusted at the July or
15 December board of review. Notwithstanding the limitation provided
16 in section 53b(1) on the number of years for which a correction may
17 be made, the July or December board of review may adjust the
18 taxable value of property under this subsection for the current
19 year and for the 3 immediately preceding calendar years. A
20 corrected tax bill shall be issued for each tax year for which the
21 taxable value is adjusted by the local tax collecting unit if the
22 local tax collecting unit has possession of the tax roll or by the
23 county treasurer if the county has possession of the tax roll. For
24 purposes of section 53b, an adjustment under this subsection shall
25 be considered the correction of a clerical error.

26 (5) Assessment of property, as required in this section and
27 section 27, is inapplicable to the assessment of property subject

1 to the levy of ad valorem taxes within voted tax limitation
2 increases to pay principal and interest on limited tax bonds issued
3 by any governmental unit, including a county, township, community
4 college district, or school district, before January 1, 1964, if
5 the assessment required to be made under this act would be less
6 than the assessment as state equalized prevailing on the property
7 at the time of the issuance of the bonds. This inapplicability
8 ~~shall continue~~ **CONTINUES** until levy of taxes to pay principal and
9 interest on the bonds is no longer required. The assessment of
10 property required by this act ~~shall be applicable~~ **APPLIES** for all
11 other purposes.

12 (6) As used in this act, "transfer of ownership" means the
13 conveyance of title to or a present interest in property, including
14 the beneficial use of the property, the value of which is
15 substantially equal to the value of the fee interest. Transfer of
16 ownership of property includes, but is not limited to, the
17 following:

18 (a) A conveyance by deed.

19 (b) A conveyance by land contract. The taxable value of
20 property conveyed by a land contract executed after December 31,
21 1994 shall be adjusted under subsection (3) for the calendar year
22 following the year in which the contract is entered into and shall
23 not be subsequently adjusted under subsection (3) when the deed
24 conveying title to the property is recorded in the office of the
25 register of deeds in the county in which the property is located.

26 (c) A conveyance to a trust after December 31, 1994, except
27 under any of the following conditions:

1 (i) If the settlor or the settlor's spouse, or both, conveys
2 the property to the trust and the sole present beneficiary or
3 beneficiaries are the settlor or the settlor's spouse, or both.

4 (ii) Beginning December 31, 2014, for residential real
5 property, if the settlor or the settlor's spouse, or both, conveys
6 the residential real property to the trust and the sole present
7 beneficiary or beneficiaries are the settlor's or the settlor's
8 spouse's mother, father, brother, sister, son, daughter, adopted
9 son, adopted daughter, grandson, or granddaughter and the
10 residential real property is not used for any commercial purpose
11 following the conveyance. Upon request by the department of
12 treasury or the assessor, the sole present beneficiary or
13 beneficiaries shall furnish proof within 30 days that the sole
14 present beneficiary or beneficiaries meet the requirements of this
15 subparagraph. If a present beneficiary fails to comply with a
16 request by the department of treasury or assessor under this
17 subparagraph, that present beneficiary is subject to a fine of
18 \$200.00.

19 (d) A conveyance by distribution from a trust, except under
20 any of the following conditions:

21 (i) If the distributee is the sole present beneficiary or the
22 spouse of the sole present beneficiary, or both.

23 (ii) Beginning December 31, 2014, a distribution of residential
24 real property if the distributee is the settlor's or the settlor's
25 spouse's mother, father, brother, sister, son, daughter, adopted
26 son, adopted daughter, grandson, or granddaughter and the
27 residential real property is not used for any commercial purpose

1 following the conveyance. Upon request by the department of
2 treasury or the assessor, the sole present beneficiary or
3 beneficiaries shall furnish proof within 30 days that the sole
4 present beneficiary or beneficiaries meet the requirements of this
5 subparagraph. If a present beneficiary fails to comply with a
6 request by the department of treasury or assessor under this
7 subparagraph, that present beneficiary is subject to a fine of
8 \$200.00.

9 (e) A change in the sole present beneficiary or beneficiaries
10 of a trust, except under any of the following conditions:

11 (i) A change that adds or substitutes the spouse of the sole
12 present beneficiary.

13 (ii) Beginning December 31, 2014, for residential real
14 property, a change that adds or substitutes the settlor's or the
15 settlor's spouse's mother, father, brother, sister, son, daughter,
16 adopted son, adopted daughter, grandson, or granddaughter and the
17 residential real property is not used for any commercial purpose
18 following the conveyance. Upon request by the department of
19 treasury or the assessor, the sole present beneficiary or
20 beneficiaries shall furnish proof within 30 days that the sole
21 present beneficiary or beneficiaries meet the requirements of this
22 subparagraph. If a present beneficiary fails to comply with a
23 request by the department of treasury or assessor under this
24 subparagraph, that present beneficiary is subject to a fine of
25 \$200.00.

26 (f) A conveyance by distribution under a will or by intestate
27 succession, except under any of the following conditions:

1 (i) If the distributee is the decedent's spouse.

2 (ii) Beginning December 31, 2014, for residential real
3 property, if the distributee is the decedent's or the decedent's
4 spouse's mother, father, brother, sister, son, daughter, adopted
5 son, adopted daughter, grandson, or granddaughter and the
6 residential real property is not used for any commercial purpose
7 following the conveyance. Upon request by the department of
8 treasury or the assessor, the sole present beneficiary or
9 beneficiaries shall furnish proof within 30 days that the sole
10 present beneficiary or beneficiaries meet the requirements of this
11 subparagraph. If a present beneficiary fails to comply with a
12 request by the department of treasury or assessor under this
13 subparagraph, that present beneficiary is subject to a fine of
14 \$200.00.

15 (g) A conveyance by lease if the total duration of the lease,
16 including the initial term and all options for renewal, is more
17 than 35 years or the lease grants the lessee a bargain purchase
18 option. As used in this subdivision, "bargain purchase option"
19 means the right to purchase the property at the termination of the
20 lease for not more than 80% of the property's projected true cash
21 value at the termination of the lease. After December 31, 1994, the
22 taxable value of property conveyed by a lease with a total duration
23 of more than 35 years or with a bargain purchase option shall be
24 adjusted under subsection (3) for the calendar year following the
25 year in which the lease is entered into. This subdivision does not
26 apply to personal property except buildings described in section
27 14(6) and personal property described in section 8(h), (i), and

1 (j). This subdivision does not apply to that portion of the
2 property not subject to the leasehold interest conveyed.

3 (h) Except as otherwise provided in this subdivision, a
4 conveyance of an ownership interest in a corporation, partnership,
5 sole proprietorship, limited liability company, limited liability
6 partnership, or other legal entity if the ownership interest
7 conveyed is more than 50% of the corporation, partnership, sole
8 proprietorship, limited liability company, limited liability
9 partnership, or other legal entity. Unless notification is provided
10 under subsection (10), the corporation, partnership, sole
11 proprietorship, limited liability company, limited liability
12 partnership, or other legal entity shall notify the assessing
13 officer on a form provided by the state tax commission not more
14 than 45 days after a conveyance of an ownership interest that
15 constitutes a transfer of ownership under this subdivision. Both of
16 the following apply to a corporation subject to 1897 PA 230, MCL
17 455.1 to 455.24:

18 (i) A transfer of stock of the corporation is a transfer of
19 ownership only with respect to the real property that is assessed
20 to the transferor lessee stockholder.

21 (ii) A cumulative conveyance of more than 50% of the
22 corporation's stock does not constitute a transfer of ownership of
23 the corporation's real property.

24 (i) A transfer of property held as a tenancy in common, except
25 that portion of the property not subject to the ownership interest
26 conveyed.

27 (j) A conveyance of an ownership interest in a cooperative

1 housing corporation, except that portion of the property not
2 subject to the ownership interest conveyed.

3 (7) Transfer of ownership does not include the following:

4 (a) The transfer of property from 1 spouse to the other spouse
5 or from a decedent to a surviving spouse.

6 (b) A transfer from a husband, a wife, or a husband and wife
7 creating or disjoining a tenancy by the entirety in the grantors
8 or the grantor and his or her spouse.

9 (c) A transfer of that portion of property subject to a life
10 estate or life lease retained by the transferor, until expiration
11 or termination of the life estate or life lease. That portion of
12 property transferred that is not subject to a life lease shall be
13 adjusted under subsection (3).

14 (d) A transfer through foreclosure or forfeiture of a recorded
15 instrument under chapter 31, 32, or 57 of the revised judicature
16 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
17 to 600.5759, or through deed or conveyance in lieu of a foreclosure
18 or forfeiture, until the mortgagee or land contract vendor
19 subsequently transfers the property. If a mortgagee does not
20 transfer the property within 1 year of the expiration of any
21 applicable redemption period, the property shall be adjusted under
22 subsection (3).

23 (e) A transfer by redemption by the person to whom taxes are
24 assessed of property previously sold for delinquent taxes.

25 (f) A conveyance to a trust if the settlor or the settlor's
26 spouse, or both, conveys the property to the trust and any of the
27 following conditions are satisfied:

1 (i) If the sole present beneficiary of the trust is the settlor
2 or the settlor's spouse, or both.

3 (ii) Beginning December 31, 2014, for residential real
4 property, if the sole present beneficiary of the trust is the
5 settlor's or the settlor's spouse's mother, father, brother,
6 sister, son, daughter, adopted son, adopted daughter, grandson, or
7 granddaughter and the residential real property is not used for any
8 commercial purpose following the conveyance. Upon request by the
9 department of treasury or the assessor, the sole present
10 beneficiary or beneficiaries shall furnish proof within 30 days
11 that the sole present beneficiary or beneficiaries meet the
12 requirements of this subparagraph. If a present beneficiary fails
13 to comply with a request by the department of treasury or assessor
14 under this subparagraph, that present beneficiary is subject to a
15 fine of \$200.00.

16 (g) A transfer pursuant to a judgment or order of a court of
17 record making or ordering a transfer, unless a specific monetary
18 consideration is specified or ordered by the court for the
19 transfer.

20 (h) A transfer creating or terminating a joint tenancy between
21 2 or more persons if at least 1 of the persons was an original
22 owner of the property before the joint tenancy was initially
23 created and, if the property is held as a joint tenancy at the time
24 of conveyance, at least 1 of the persons was a joint tenant when
25 the joint tenancy was initially created and that person has
26 remained a joint tenant since the joint tenancy was initially
27 created. A joint owner at the time of the last transfer of

1 ownership of the property is an original owner of the property. For
2 purposes of this subdivision, a person is an original owner of
3 property owned by that person's spouse.

4 (i) A transfer for security or an assignment or discharge of a
5 security interest.

6 (j) A transfer of real property or other ownership interests
7 among members of an affiliated group. As used in this subsection,
8 "affiliated group" means 1 or more corporations connected by stock
9 ownership to a common parent corporation. Upon request by the state
10 tax commission, a corporation shall furnish proof within 45 days
11 that a transfer meets the requirements of this subdivision. A
12 corporation that fails to comply with a request by the state tax
13 commission under this subdivision is subject to a fine of \$200.00.

14 (k) Normal public trading of shares of stock or other
15 ownership interests that, over any period of time, cumulatively
16 represent more than 50% of the total ownership interest in a
17 corporation or other legal entity and are traded in multiple
18 transactions involving unrelated individuals, institutions, or
19 other legal entities.

20 (l) A transfer of real property or other ownership interests
21 among corporations, partnerships, limited liability companies,
22 limited liability partnerships, or other legal entities if the
23 entities involved are commonly controlled. Upon request by the
24 state tax commission, a corporation, partnership, limited liability
25 company, limited liability partnership, or other legal entity shall
26 furnish proof within 45 days that a transfer meets the requirements
27 of this subdivision. A corporation, partnership, limited liability

1 company, limited liability partnership, or other legal entity that
2 fails to comply with a request by the state tax commission under
3 this subdivision is subject to a fine of \$200.00.

4 (m) A direct or indirect transfer of real property or other
5 ownership interests resulting from a transaction that qualifies as
6 a tax-free reorganization under section 368 of the internal revenue
7 code, 26 USC 368. Upon request by the state tax commission, a
8 property owner shall furnish proof within 45 days that a transfer
9 meets the requirements of this subdivision. A property owner who
10 fails to comply with a request by the state tax commission under
11 this subdivision is subject to a fine of \$200.00.

12 (n) A transfer of qualified agricultural property, if the
13 person to whom the qualified agricultural property is transferred
14 files an affidavit with the assessor of the local tax collecting
15 unit in which the qualified agricultural property is located and
16 with the register of deeds for the county in which the qualified
17 agricultural property is located attesting that the qualified
18 agricultural property ~~shall~~**WILL** remain qualified agricultural
19 property. The affidavit under this subdivision shall be in a form
20 prescribed by the department of treasury. An owner of qualified
21 agricultural property shall inform a prospective buyer of that
22 qualified agricultural property that the qualified agricultural
23 property is subject to the recapture tax provided in the
24 agricultural property recapture act, 2000 PA 261, MCL 211.1001 to
25 211.1007, if the qualified agricultural property is converted by a
26 change in use, as that term is defined in section 2 of the
27 agricultural property recapture act, 2000 PA 261, MCL 211.1002. If

1 property ceases to be qualified agricultural property at any time
2 after being transferred, all of the following shall occur:

3 (i) The taxable value of that property shall be adjusted under
4 subsection (3) as of the December 31 in the year that the property
5 ceases to be qualified agricultural property.

6 (ii) The property is subject to the recapture tax provided for
7 under the agricultural property recapture act, 2000 PA 261, MCL
8 211.1001 to 211.1007.

9 (o) A transfer of qualified forest property, if the person to
10 whom the qualified forest property is transferred files a qualified
11 forest taxable value affidavit with the assessor of the local tax
12 collecting unit in which the qualified forest property is located
13 and with the register of deeds for the county in which the
14 qualified forest property is located attesting that the qualified
15 forest property ~~shall~~**WILL** remain qualified forest property. The
16 qualified forest taxable value affidavit under this subdivision
17 shall be in a form prescribed by the department of agriculture and
18 rural development. The qualified forest taxable value affidavit
19 shall include a legal description of the qualified forest property,
20 the name of the new property owner, the year the transfer of the
21 property occurred, a statement indicating that the property owner
22 is attesting that the property for which the exemption is claimed
23 is qualified forest property and will be managed according to the
24 approved forest management plan, and any other information
25 pertinent to the parcel and the property owner. The property owner
26 shall provide a copy of the qualified forest taxable value
27 affidavit to the department. The department shall provide 1 copy of

1 the qualified forest taxable value affidavit to the local tax
2 collecting unit, 1 copy to the conservation district, and 1 copy to
3 the department of treasury. These copies may be sent
4 electronically. The exception to the recognition of a transfer of
5 ownership, as herein stated, ~~shall extend~~ **EXTENDS** to the land only
6 of the qualified forest property. If qualified forest property is
7 improved by buildings, structures, or land improvements, then those
8 improvements shall be recognized as a transfer of ownership, in
9 accordance with the provisions of section 7jj[1]. An owner of
10 qualified forest property shall inform a prospective buyer of that
11 qualified forest property that the qualified forest property is
12 subject to the recapture tax provided in the qualified forest
13 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036,
14 if the qualified forest property is converted by a change in use,
15 as that term is defined in section 2 of the qualified forest
16 property recapture tax act, 2006 PA 379, MCL 211.1032. If property
17 ceases to be qualified forest property at any time after being
18 transferred, all of the following shall occur:

19 (i) The taxable value of that property shall be adjusted under
20 subsection (3) as of the December 31 in the year that the property
21 ceases to be qualified forest property, except to the extent that
22 the transfer of the qualified forest property would not have been
23 considered a transfer of ownership under this subsection.

24 (ii) Except as otherwise provided in subparagraph (iii), the
25 property is subject to the recapture tax provided for under the
26 qualified forest property recapture tax act, 2006 PA 379, MCL
27 211.1031 to 211.1036.

1 (iii) Beginning June 1, 2013 and ending November 30, 2013,
2 owners of property enrolled as qualified forest property ~~prior to~~
3 **BEFORE** January 1, 2013 may execute a new qualified forest taxable
4 value affidavit with the department of agriculture and rural
5 development. If a landowner elects to execute a qualified forest
6 taxable value affidavit, that owner is not required to pay the
7 \$50.00 fee required under section 7jj[1](2). If a landowner elects
8 not to execute a qualified forest taxable value affidavit, the
9 existing affidavit shall be rescinded, without subjecting the
10 property to the recapture tax provided for under the qualified
11 forest property recapture tax act, 2006 PA 379, MCL 211.1031 to
12 211.1036, and the taxable value of that property shall be adjusted
13 under subsection (3).

14 (p) Beginning on December 8, 2006, a transfer of land, but not
15 buildings or structures located on the land, which meets 1 or more
16 of the following requirements:

17 (i) The land is subject to a conservation easement under
18 subpart 11 of part 21 of the natural resources and environmental
19 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in
20 this subparagraph, "conservation easement" means that term as
21 defined in section 2140 of the natural resources and environmental
22 protection act, 1994 PA 451, MCL 324.2140.

23 (ii) A transfer of ownership of the land or a transfer of an
24 interest in the land is eligible for a deduction as a qualified
25 conservation contribution under section 170(h) of the internal
26 revenue code, 26 USC 170.

27 (q) A transfer of real property or other ownership interests

1 resulting from a consolidation or merger of a domestic nonprofit
2 corporation that is a boy or girl scout or camp fire girls
3 organization, a 4-H club or foundation, a young men's Christian
4 association, or a young women's Christian association and at least
5 50% of the members of that organization or association are
6 residents of this state.

7 (r) A change to the assessment roll or tax roll resulting from
8 the application of section 16a of 1897 PA 230, MCL 455.16a.

9 (s) Beginning December 31, 2013 through December 30, 2014, a
10 transfer of residential real property if the transferee is related
11 to the transferor by blood or affinity to the first degree and the
12 use of the residential real property does not change following the
13 transfer.

14 (t) Beginning December 31, 2014, a transfer of residential
15 real property if the transferee is the transferor's or the
16 transferor's spouse's mother, father, brother, sister, son,
17 daughter, adopted son, adopted daughter, grandson, or granddaughter
18 and the residential real property is not used for any commercial
19 purpose following the conveyance. Upon request by the department of
20 treasury or the assessor, the transferee shall furnish proof within
21 30 days that the transferee meets the requirements of this
22 subdivision. If a transferee fails to comply with a request by the
23 department of treasury or assessor under this subdivision, that
24 transferee is subject to a fine of \$200.00.

25 (u) Beginning December 31, 2014, for residential real
26 property, a conveyance from a trust if the person to whom the
27 residential real property is conveyed is the settlor's or the

1 settlor's spouse's mother, father, brother, sister, son, daughter,
2 adopted son, adopted daughter, grandson, or granddaughter and the
3 residential real property is not used for any commercial purpose
4 following the conveyance. Upon request by the department of
5 treasury or the assessor, the sole present beneficiary or
6 beneficiaries shall furnish proof within 30 days that the sole
7 present beneficiary or beneficiaries meet the requirements of this
8 subdivision. If a present beneficiary fails to comply with a
9 request by the department of treasury or assessor under this
10 subdivision, that present beneficiary is subject to a fine of
11 \$200.00.

12 (v) Beginning on the effective date of the amendatory act that
13 added this subdivision, a conveyance of land by distribution under
14 a will or trust or by intestate succession, but not buildings or
15 structures located on the land, which meets 1 or more of the
16 following requirements:

17 (i) The land is made subject to a conservation easement under
18 subpart 11 of part 21 of the natural resources and environmental
19 protection act, 1994 PA 451, MCL 324.2140 to 324.2144, prior to the
20 conveyance by distribution under a will or trust or by intestate
21 succession. As used in this subparagraph, "conservation easement"
22 means that term as defined in section 2140 of the natural resources
23 and environmental protection act, 1994 PA 451, MCL 324.2140.

24 (ii) The land or an interest in the land is made eligible for a
25 deduction as a qualified conservation contribution under section
26 170(h) of the internal revenue code, 26 USC 170, prior to the
27 conveyance by distribution under a will or trust or by intestate

1 succession.

2 (W) A CONVEYANCE OF PROPERTY UNDER SECTION 2120A(6) OF THE
3 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451,
4 MCL 324.2120A.

5 (8) If all of the following conditions are satisfied, the
6 local tax collecting unit shall revise the taxable value of
7 qualified agricultural property taxable on the tax roll in the
8 possession of that local tax collecting unit to the taxable value
9 that qualified agricultural property would have had if there had
10 been no transfer of ownership of that qualified agricultural
11 property since December 31, 1999 and there had been no adjustment
12 of that qualified agricultural property's taxable value under
13 subsection (3) since December 31, 1999:

14 (a) The qualified agricultural property was qualified
15 agricultural property for taxes levied in 1999 and each year after
16 1999.

17 (b) The owner of the qualified agricultural property files an
18 affidavit with the assessor of the local tax collecting unit under
19 subsection (7)(n).

20 (9) If the taxable value of qualified agricultural property is
21 adjusted under subsection (8), the owner of that qualified
22 agricultural property ~~shall not be~~ **IS NOT** entitled to a refund for
23 any property taxes collected under this act on that qualified
24 agricultural property before the adjustment under subsection (8).

25 (10) The register of deeds of the county where deeds or other
26 title documents are recorded shall notify the assessing officer of
27 the appropriate local taxing unit not less than once each month of

1 any recorded transaction involving the ownership of property and
2 shall make any recorded deeds or other title documents available to
3 that county's tax or equalization department. Unless notification
4 is provided under subsection (6), the buyer, grantee, or other
5 transferee of the property shall notify the appropriate assessing
6 office in the local unit of government in which the property is
7 located of the transfer of ownership of the property within 45 days
8 of the transfer of ownership, on a form prescribed by the state tax
9 commission that states the parties to the transfer, the date of the
10 transfer, the actual consideration for the transfer, and the
11 property's parcel identification number or legal description. Forms
12 filed in the assessing office of a local unit of government under
13 this subsection shall be made available to the county tax or
14 equalization department for the county in which that local unit of
15 government is located. This subsection does not apply to personal
16 property except buildings described in section 14(6) and personal
17 property described in section 8(h), (i), and (j).

18 (11) As used in this section:

19 (a) "Additions" means that term as defined in section 34d.

20 (b) "Beneficial use" means the right to possession, use, and
21 enjoyment of property, limited only by encumbrances, easements, and
22 restrictions of record.

23 (c) "Inflation rate" means that term as defined in section
24 34d.

25 (d) "Losses" means that term as defined in section 34d.

26 (e) "Qualified agricultural property" means that term as
27 defined in section 7dd.

1 (f) "Qualified forest property" means that term as defined in
2 section 7jj[1].

3 (g) "Residential real property" means real property classified
4 as residential real property under section 34c.

5 Enacting section 1. This amendatory act does not take effect
6 unless Senate Bill No. 18 of the 98th Legislature is enacted into
7 law.